



Reprinted
March 4, 2003

HOUSE BILL No. 2005

DIGEST OF HB 2005 (Updated March 3, 2003 5:11 PM - DI 52)

Citations Affected: IC 6-1.1; IC 14-33; noncode.

Synopsis: Property tax exemptions. Provides that a portion of a building is taxable if it is used for purposes other than certain exempt purposes. With respect to land, eliminates acreage limitations, and establishes active use and other conditions for exemption. Permits separate assessment of exempt and taxable parts of a building or land. Imposes taxes on the seller of exempt property under certain circumstances. Requires an exemption applicant to have the property assessed by the township assessor. Eliminates acreage limitations for exemption of church land. Imposes reporting, procedural, and rulemaking requirements on the department of local government finance (DLGF) concerning locally approved exemption applications. Withholds part of state property tax replacement fund distributions to a county if the county auditor fails to forward approved exemption applications to the DLGF. Requires the reporting of leases of certain exempt real property to entities other than nonprofit corporations. Allows a refund for taxes payable in 2001 for certain churches or religious institutions.

Effective: March 1, 2002 (retroactive); upon passage; July 1, 2003.

Frenz, Scholer, Saunders, LaPlante

January 23, 2003, read first time and referred to Committee on Ways and Means.
February 17, 2003, reported — Do Pass.
March 3, 2003, read second time, amended, ordered engrossed.

HB 2005—LS 7815/DI 52+



C
o
p
y

Reprinted
March 4, 2003

First Regular Session 113th General Assembly (2003)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2002 Regular or Special Session of the General Assembly.

HOUSE BILL No. 2005

A BILL FOR AN ACT to amend the Indiana Code concerning
taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-4-15 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 15. (a) ~~if~~ If real
3 property is subject to assessment or reassessment under this chapter,
4 the assessor of the township in which the property is located shall
5 either:

6 (1) appraise the property; ~~himself~~ or
7 (2) have ~~it~~ **the property** appraised.
8 (b) In order to determine the assessed value of buildings and other
9 improvements, the township assessor, or ~~his~~ **the township assessor's**
10 authorized representative, may, after first making known his ~~or her~~
11 intention to the owner or occupant, enter and fully examine all
12 buildings and structures ~~which that~~ are located within the township ~~he~~
13 **the assessor** serves and ~~which that~~ are subject to assessment.

14 SECTION 2. IC 6-1.1-10-16, AS AMENDED BY P.L.198-2001,
15 SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
16 MARCH 1, 2002 (RETROACTIVE)]: Sec. 16. (a) All or part of a

HB 2005—LS 7815/DI 52+



C
o
p
y

building is exempt from property taxation if it is owned, occupied, and used by a person for educational, literary, scientific, religious, or charitable purposes.

(b) A building is exempt from property taxation if it is owned, occupied, and used by a town, city, township, or county for educational, literary, scientific, fraternal, or charitable purposes. **Any portion of a building used for a purpose other than educational, literary, scientific, fraternal, or charitable purposes is not exempt from property taxation. For the purposes of assessment, a building may be divided into portions that are either exempt or not exempt from property taxation.**

(c) A tract of land, including the campus and athletic grounds of an educational institution, is exempt from property taxation if:

- (1) a building **used predominantly for educational, literary, scientific, fraternal, or charitable purpose** ~~which that~~ is exempt under subsection (a) or (b) is situated on it; and
- (2) the tract ~~does not exceed:~~ **is owned and actively used by a person primarily for educational, literary, scientific, religious, or charitable purposes.**

(A) one hundred fifty (150) acres in the case of:

- (i) an educational institution;
- (ii) a tract that ~~was exempt under this subsection on March 1, 1987;~~ or

(B) two hundred (200) acres in the case of a local association formed for the purpose of promoting 4-H programs; or

(C) fifteen (15) acres in all other cases.

(d) A tract of land is exempt from property taxation if:

- (1) it is purchased for the purpose of erecting a building **which that** is to be owned, occupied, and used in such a manner that the building will be exempt under subsection (a) or (b); **and**
- (2) ~~the tract does not exceed:~~

(A) one hundred fifty (150) acres in the case of:

- (i) an educational institution; or
- (ii) a tract that ~~was exempt under this subsection on March 1, 1987;~~

(B) two hundred (200) acres in the case of a local association formed for the purpose of promoting 4-H programs; or

(C) fifteen (15) acres in all other cases; and

- (3) ~~(2)~~ not more than three (3) years after the property is purchased, and for each year after the three (3) year period, the owner demonstrates substantial progress **and active pursuit** towards the erection of the intended building and use of the tract



for the exempt purpose. To establish that substantial progress is being made, the owner must prove the existence of factors such as the following:

(A) Organization of and activity by a building committee or other oversight group.

(B) Completion and filing of building plans with the appropriate local government authority.

(C) Cash reserves dedicated to the project of a sufficient amount to lead a reasonable individual to believe the actual construction can and will begin within three (3) years.

(D) The breaking of ground and the beginning of actual construction.

(E) Any other factor that would lead a reasonable individual to believe that construction of the building is an active plan and that the building is capable of being completed within six (6) years considering the circumstances of the owner.

(e) Personal property is exempt from property taxation if it is owned and used in such a manner that it would be exempt under subsection (a) or (b) if it were a building.

(f) A hospital's property ~~which~~ **that** is exempt from property taxation under subsection (a), (b), or (e) shall remain exempt from property taxation even if the property is used in part to furnish goods or services to another hospital whose property qualifies for exemption under this section.

(g) Property owned by a shared hospital services organization ~~which~~ **that** is exempt from federal income taxation under Section 501(c)(3) or 501(e) of the Internal Revenue Code is exempt from property taxation if it is owned, occupied, and used exclusively to furnish goods or services to a hospital whose property is exempt from property taxation under subsection (a), (b), or (e).

(h) This section does not exempt from property tax an office or a practice of a physician or group of physicians that is owned by a hospital licensed under IC 16-21-1 or other property that is not substantially related to or supportive of the inpatient facility of the hospital unless the office, practice, or other property:

(1) provides or supports the provision of charity care (as defined in IC 16-18-2-52.5), including providing funds or other financial support for health care services for individuals who are indigent

(as defined in IC 16-18-2-52.5(b) and IC 16-18-2-52.5(c)); or

(2) provides or supports the provision of community benefits (as defined in IC 16-21-9-1), including research, education, or government sponsored indigent health care (as defined in

C
o
p
y



IC 16-21-9-2).

However, participation in the Medicaid or Medicare program alone does not entitle an office, practice, or other property described in this subsection to an exemption under this section.

(i) A tract of land or a tract of land plus all or part of a structure on the land is exempt from property taxation if:

(1) the tract is acquired for the purpose of erecting, renovating, or improving a single family residential structure that is to be given away or sold:

(A) in a charitable manner;

(B) by a nonprofit organization; and

(C) to low income individuals who will:

(i) use the land as a family residence; and

(ii) not have an exemption for the land under this section;

~~(2) the tract does not exceed three (3) acres;~~

~~(3) (2)~~ the tract of land or the tract of land plus all or part of a structure on the land is not used for profit while exempt under this section; and

~~(4) (3)~~ not more than three (3) years after the property is acquired for the purpose described in subdivision (1), and for each year after the three (3) year period, the owner demonstrates substantial progress **and active pursuit** towards the erection, renovation, or improvement of the intended structure. To establish that substantial progress is being made, the owner must prove the existence of factors such as the following:

(A) Organization of and activity by a building committee or other oversight group.

(B) Completion and filing of building plans with the appropriate local government authority.

(C) Cash reserves dedicated to the project of a sufficient amount to lead a reasonable individual to believe the actual construction can and will begin within six (6) years of the initial exemption received under this subsection.

(D) The breaking of ground and the beginning of actual construction.

(E) Any other factor that would lead a reasonable individual to believe that construction of the structure is an active plan and that the structure is capable of being:

(i) completed; and

(ii) transferred to a low income individual who does not receive an exemption under this section;

within six (6) years considering the circumstances of the

C
o
p
y



1 owner.

2 (j) An exemption under subsection (i) terminates when the property
3 is conveyed by the nonprofit organization to another owner. When the
4 property is conveyed to another owner, the nonprofit organization
5 receiving the exemption must file a certified statement with the auditor
6 of the county, notifying the auditor of the change not later than sixty
7 (60) days after the date of the conveyance. The county auditor shall
8 immediately forward a copy of the certified statement to the county
9 assessor. A nonprofit organization that fails to file the statement
10 required by this subsection is liable for the amount of property taxes
11 due on the property conveyed if it were not for the exemption allowed
12 under this chapter.

13 (k) If property is granted an exemption in any year under subsection
14 (i) and the owner:

15 (1) ceases to be eligible for the exemption under subsection (i)(4);
16 (2) fails to transfer the tangible property within six (6) years after
17 the assessment date for which the exemption is initially granted;
18 or

19 (3) transfers the tangible property to a person who:

20 (A) is not a low income individual; or

21 (B) does not use the transferred property as a residence for at
22 least one (1) year after the property is transferred;

23 the person receiving the exemption shall notify the county recorder and
24 the county auditor of the county in which the property is located not
25 later than sixty (60) days after the event described in subdivision (1),
26 (2), or (3) occurs. The county auditor shall immediately inform the
27 county assessor of a notification received under this subsection.

28 (l) If subsection (k)(1), (k)(2), or (k)(3) applies, the owner shall pay,
29 not later than the date that the next installment of property taxes is due,
30 an amount equal to the sum of the following:

31 (1) The total property taxes that, if it were not for the exemption
32 under subsection (i), would have been levied on the property in
33 each year in which an exemption was allowed.

34 (2) Interest on the property taxes at the rate of ten percent (10%)
35 per year.

36 (m) The liability imposed by subsection (l) is a lien upon the
37 property receiving the exemption under subsection (i). An amount
38 collected under subsection (l) shall be collected as an excess levy. If
39 the amount is not paid, it shall be collected in the same manner that
40 delinquent taxes on real property are collected.

41 (n) Property referred to in this section shall be assessed to the extent
42 required under IC 6-1.1-11-9.

C
o
p
y



(o) An exemption under this chapter terminates when the property is conveyed by the nonprofit organization to another owner. If the sale price of the property exceeds the original price paid for the property, the nonprofit organization is liable for the amount of property taxes due on the property conveyed if it were not for the exemption allowed under this chapter. Property taxes collected shall not exceed the amount due for the three (3) consecutive years immediately prior to the date of sale.

(p) Except as provided in subsection (d), a tract of land or any portion of a tract of land is not exempt from taxation if it is owned by a person primarily for educational, literary, scientific, religious, or charitable purposes and is not actively used for educational, literary, scientific, religious, or charitable purposes. For the purposes of assessment, a tract of land may be divided into portions that are either exempt or not exempt from property taxation.

(q) A person who wishes to have a building or tract of land classified as exempt from property taxation under this section must have had the building or tract of land assessed by the township assessor of the county in which the land is located.

SECTION 3. IC 6-1.1-10-21, AS AMENDED BY P.L.198-2001, SECTION 30, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE March 1, 2002 (RETROACTIVE)]: Sec. 21. (a) The following tangible property is exempt from property taxation if it is owned by, or held in trust for the use of, a church or religious society:

- (1) A building ~~which~~ **that** is used for religious worship.
- (2) ~~Buildings that are used as parsonages.~~
- (3) ~~(2)~~ The pews and furniture contained within a building ~~which~~ **that** is used for religious worship.
- (4) The tract of ~~land, not exceeding fifteen (15) acres;~~ **land** upon which a building described in this ~~section~~ **that is used for religious worship** is situated.

(b) A building that is used as a parsonage is exempt from property taxation if it is owned by, or held in trust for the use of, a church or religious society.

~~(b)~~ (c) To obtain an exemption for parsonages, a church or religious society must provide the county auditor with an affidavit at the time the church or religious society applies for the exemptions. The affidavit must state that:

- (1) all parsonages are being used to house one (1) of the church's or religious society's rabbis, priests, preachers, ministers, or pastors; and



C
o
p
y

(2) none of the parsonages are being used to make a profit.
 The affidavit shall be signed under oath by the church's or religious society's head rabbi, priest, preacher, minister, or pastor. The county auditor shall immediately forward a copy of the affidavit to the county assessor.

(c) (d) Property referred to in this section shall be assessed to the extent required under IC 6-1.1-11-9.

SECTION 4. IC 6-1.1-11-3.8 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 3.8. (a) This section applies to real property that after December 31, 2003, is:**

(1) exempt from property taxes:

(A) under an application filed under this chapter; or

(B) under:

(i) IC 6-1.1-10-2; or

(ii) IC 6-1.1-10-4; and

(2) leased to an entity other than a nonprofit corporation.

(b) After December 31, 2003, each lessor of real property shall notify the county assessor of the county in which the real property is located in writing of:

(1) the existence of the lease referred to in subsection (a)(2);

(2) the term of that lease; and

(3) the name and address of the lessee.

(c) Each county assessor shall annually notify the department of local government finance in writing of the information received by the county assessor under subsection (b).

(d) The department of local government finance shall adopt rules to:

(1) establish when the notices under subsections (b) and (c) must be given; and

(2) otherwise implement this section.

SECTION 5. IC 6-1.1-11-8, AS AMENDED BY P.L.90-2002, SECTION 105, IS AMENDED TO READ AS FOLLOWS: **Sec. 8. (a)** On or before August 1 of each year, the county auditor of each county shall forward to the department of local government finance the duplicate copies of all approved exemption applications.

(b) The department of local government finance shall review the approved applications **forwarded under subsection (a)**. The department of local government finance may deny an exemption if the department determines that the property is not tax exempt under the laws of this state. However, before denying an exemption, the department of local government finance must give notice to the



C
o
p
y

applicant, and the department must hold a hearing on the exemption application.

(c) With respect to the approved applications forwarded under subsection (a), the department shall, on or before August 1 of each year, report to the executive director of the legislative services agency:

- (1) the number forwarded;
- (2) the number subjected to field investigation by the department; and
- (3) the number denied by the department;

during the year ending on July 1 of the year.

(d) The department of local government finance may investigate any approved application forwarded under subsection (a). The investigation may include inspection of:

- (1) the exempt property; and
- (2) relevant books and records of the person claiming the exemption.

Refusal of a person claiming an exemption to permit inspection of the property or relevant books and records constitutes grounds for denying the exemption.

(e) The department shall adopt rules under IC 4-22-2 with respect to exempt real property to:

- (1) provide just valuations; and
- (2) ensure that assessments are:
 - (A) made; and
 - (B) recorded;

in accordance with law.

SECTION 6. IC 6-1.1-21-4, AS AMENDED BY P.L.192-2002(ss), SECTION 41, IS AMENDED TO READ AS FOLLOWS: Sec. 4. *Effective 1-1-2003.* (a) Each year the department shall allocate from the property tax replacement fund an amount equal to the sum of:

- (1) each county's total eligible property tax replacement amount for that year; plus
- (2) the total amount of homestead tax credits that are provided under IC 6-1.1-20.9 and allowed by each county for that year; plus
- (3) an amount for each county that has one (1) or more taxing districts that contain all or part of an economic development district that meets the requirements of section 5.5 of this chapter. This amount is the sum of the amounts determined under the following STEPS for all taxing districts in the county that contain all or part of an economic development district:



C
O
P
Y

1 STEP ONE: Determine that part of the sum of the amounts
 2 under section 2(g)(1)(A) and 2(g)(2) of this chapter that is
 3 attributable to the taxing district.

4 STEP TWO: Divide:

5 (A) that part of the subdivision (1) amount that is
 6 attributable to the taxing district; by

7 (B) the STEP ONE sum.

8 STEP THREE: Multiply:

9 (A) the STEP TWO quotient; times

10 (B) the taxes levied in the taxing district that are allocated to
 11 a special fund under IC 6-1.1-39-5.

12 (b) Except as provided in subsection (e), between March 1 and
 13 August 31 of each year, the department shall distribute to each county
 14 treasurer from the property tax replacement fund one-half (1/2) of the
 15 estimated distribution for that year for the county. Between September
 16 1 and December 15 of that year, the department shall distribute to each
 17 county treasurer from the property tax replacement fund the remaining
 18 one-half (1/2) of each estimated distribution for that year. The amount
 19 of the distribution for each of these periods shall be according to a
 20 schedule determined by the property tax replacement fund board under
 21 section 10 of this chapter. The estimated distribution for each county
 22 may be adjusted from time to time by the department to reflect any
 23 changes in the total county tax levy upon which the estimated
 24 distribution is based.

25 (c) On or before December 31 of each year or as soon thereafter as
 26 possible, the department shall make a final determination of the amount
 27 which should be distributed from the property tax replacement fund to
 28 each county for that calendar year. This determination shall be known
 29 as the final determination of distribution. The department shall
 30 distribute to the county treasurer or receive back from the county
 31 treasurer any deficit or excess, as the case may be, between the sum of
 32 the distributions made for that calendar year based on the estimated
 33 distribution and the final determination of distribution. The final
 34 determination of distribution shall be based on the auditor's abstract
 35 filed with the auditor of state, adjusted for postabstract adjustments
 36 included in the December settlement sheet for the year, and such
 37 additional information as the department may require.

38 (d) All distributions provided for in this section shall be made on
 39 warrants issued by the auditor of state drawn on the treasurer of state.
 40 If the amounts allocated by the department from the property tax
 41 replacement fund exceed in the aggregate the balance of money in the
 42 fund, then the amount of the deficiency shall be transferred from the

C
o
p
y



1 state general fund to the property tax replacement fund, and the auditor
 2 of state shall issue a warrant to the treasurer of state ordering the
 3 payment of that amount. However, any amount transferred under this
 4 section from the general fund to the property tax replacement fund
 5 shall, as soon as funds are available in the property tax replacement
 6 fund, be retransferred from the property tax replacement fund to the
 7 state general fund, and the auditor of state shall issue a warrant to the
 8 treasurer of state ordering the replacement of that amount.

9 (e) Except as provided in subsection (i), the department shall not
 10 distribute under subsection (b) and section 10 of this chapter the money
 11 attributable to the county's property reassessment fund if, by the date
 12 the distribution is scheduled to be made, the county auditor has not:

13 (1) sent a certified statement required to be sent by that date under
 14 IC 6-1.1-17-1; or

15 (2) **forwarded the duplicate copies of all approved exemption**
 16 **applications required to be forwarded by that date under**
 17 **IC 6-1.1-11-8(a);**

18 to the department of local government finance.

19 (f) Except as provided in subsection (i), if the elected township
 20 assessors in the county, the elected township assessors and the county
 21 assessor, or the county assessor has not transmitted to the department
 22 of local government finance by October 1 of the year in which the
 23 distribution is scheduled to be made the data for all townships in the
 24 county required to be transmitted under IC 6-1.1-4-25(b), the state
 25 board or the department shall not distribute under subsection (b) and
 26 section 10 of this chapter a part of the money attributable to the
 27 county's property reassessment fund. The portion not distributed is the
 28 amount that bears the same proportion to the total potential distribution
 29 as the number of townships in the county for which data was not
 30 transmitted by August 1 as described in this section bears to the total
 31 number of townships in the county.

32 (g) Money not distributed ~~under~~ **for the reason stated in** subsection
 33 ~~(e)~~ **(e)(1)** shall be distributed to the county when the county auditor
 34 sends to the department of local government finance the certified
 35 statement required to be sent under IC 6-1.1-17-1 with respect to which
 36 the failure to send resulted in the withholding of the distribution under
 37 subsection (e). **Money not distributed for the reason stated in**
 38 **subsection (e)(2) shall be distributed to the county when the county**
 39 **auditor forwards to the department of local government finance**
 40 **the approved exemption applications required to be sent under**
 41 **IC 6-1.1-11-8(a) with respect to which the failure to forward**
 42 **resulted in the withholding of the distribution under subsection (e).**



C
o
p
y

1 **Money not distributed for the reasons stated in subsection (e)(1)**
 2 **and (e)(2) shall be distributed to the county when the county**
 3 **auditor:**

4 **(1) sends to the department of local government finance the**
 5 **certified statement required to be sent under IC 6-1.1-17-1;**
 6 **and**

7 **(2) forwards to the department of local government finance**
 8 **the certified statement required to be sent under**
 9 **IC 6-1.1-11-8(a);**

10 **with respect to which the failure to forward resulted in the**
 11 **withholding of the distribution under subsection (e).**

12 (h) Money not distributed under subsection (f) shall be distributed
 13 to the county when the elected township assessors in the county, the
 14 elected township assessors and the county assessor, or the county
 15 assessor transmits to the department of local government finance the
 16 data required to be transmitted under IC 6-1.1-4-25(b) with respect to
 17 which the failure to transmit resulted in the withholding of the
 18 distribution under subsection (f).

19 (i) The restrictions on distributions under subsections (e) and (f) do
 20 not apply if the department of local government finance determines
 21 that:

22 (1) the failure of a county auditor to send

23 **(A) a certified statement; or**

24 **(B) copies of all approved exemption applications;**

25 as described in subsection (e); or

26 (2) the failure of an official to transmit data as described in
 27 subsection (f);

28 is justified by unusual circumstances.

29 **SECTION 7. IC 14-33-7-4 IS AMENDED TO READ AS**
 30 **FOLLOWS [EFFECTIVE March 1, 2002 (RETROACTIVE)]: Sec. 4.**

31 (a) This section applies to the following tangible property owned by or
 32 held in trust for the use of a church or religious society:

33 (1) A building that is used for religious worship.

34 (2) A building that is used as a parsonage.

35 (3) The pews and furniture contained within a building that is
 36 used for religious worship.

37 (4) ~~The land, not exceeding fifteen (15) acres, land upon which~~
 38 ~~a building described in this section used as a parsonage is~~
 39 ~~situated.~~

40 **(5) The land upon which a building used for religious worship**
 41 **is situated.**

42 (b) Property is exempt from the special benefits tax that may be



imposed under:

(1) IC 14-33-6-13 and section 1 of this chapter; or

(2) IC 14-33-21-5;

to the extent that the special benefits tax revenue will be used for the construction or improvement of a water impoundment project, including a lake, pond, or dam.

(c) To obtain an exemption for a parsonage, a church or religious society must provide the county auditor with an affidavit at the time the church or religious society applies for the exemption. The affidavit must:

(1) state:

(A) that all parsonages are being used to house one (1) of the church's or religious society's rabbis, priests, preachers, ministers, or pastors; and

(B) that none of the parsonages are being used to make a profit; and

(2) be signed under oath or affirmation by the church's or religious society's head rabbi, priest, preacher, minister, pastor, or designee of the official church body.

SECTION 8. [EFFECTIVE UPON PASSAGE] (a) A church or religious institution may file a claim with the county auditor for a refund for the payment of property taxes first due and payable in 2001 if:

(1) the church or religious institution challenged in an administrative action before the state board of tax commissioners (before it was abolished) the denial of exemption of land for that year by the county property tax assessment board of appeals; and

(2) the church or religious institution paid property taxes for that year on land not exceeding fifteen (15) acres for which exemption was denied as described in subdivision (1).

The claim must be filed as set forth in IC 6-1.1-26-1, except that the claim must be based upon a determination of the exemption of the property of the church or religious institution as if IC 6-1.1-10-16, as amended by this act, had been in effect for property taxes first due and payable in 2001.

(b) Upon receiving a claim filed under this SECTION, the county auditor shall determine whether the claim is correct. If the county auditor determines that the claim is correct, the auditor shall, without an appropriation being required, issue a warrant to

C
o
p
y



1 the claimant payable from the county general fund for the amount
 2 due the claimant under this SECTION.
 3 (c) The amount of the refund shall equal the amount of the claim
 4 so allowed. Interest of four percent (4%) per year is payable on the
 5 refund.
 6 (d) This SECTION expires January 1, 2004.
 7 SECTION 9. [EFFECTIVE UPON PASSAGE] (a) IC 6-1.1-10-16
 8 (subject to SECTION 6 of this act), IC 6-1.1-10-21, and
 9 IC 14-33-7-4, all as amended by this act, apply only to property
 10 taxes first due and payable after December 31, 2002.
 11 (b) This SECTION expires January 1, 2004.
 12 SECTION 10. An emergency is declared for this act.

C
o
p
y



COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 2005, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

CRAWFORD, Chair

Committee Vote: yeas 14, nays 10.

C
o
p
y



HOUSE MOTION

Mr. Speaker: I move that House Bill 2005 be amended to read as follows:

Page 1, line 2, delete "Except as".

Page 1, line 3, delete "provided in IC 6-1.1-8.8,".

Page 1, line 3, strike "if" and insert "If".

Page 1, delete lines 14 through 16.

Page 2, delete lines 1 through 36.

Page 2, before line 37, begin a new paragraph and insert the following:

"SECTION 2. IC 6-1.1-10-16, AS AMENDED BY P.L.198-2001, SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 1, 2002 (RETROACTIVE)]: Sec. 16. (a) All or part of a building is exempt from property taxation if it is owned, occupied, and used by a person for educational, literary, scientific, religious, or charitable purposes.

(b) A building is exempt from property taxation if it is owned, occupied, and used by a town, city, township, or county for educational, literary, scientific, fraternal, or charitable purposes. **Any portion of a building used for a purpose other than educational, literary, scientific, fraternal, or charitable purposes is not exempt from property taxation. For the purposes of assessment, a building may be divided into portions that are either exempt or not exempt from property taxation.**

(c) A tract of land, including the campus and athletic grounds of an educational institution, is exempt from property taxation if:

- (1) a building **used predominantly for educational, literary, scientific, fraternal, or charitable purpose** ~~which that~~ is exempt under subsection (a) or (b) is situated on it; and
- (2) the tract ~~does not exceed:~~ **is owned and actively used by a person primarily for educational, literary, scientific, religious, or charitable purposes.**

~~(A) one hundred fifty (150) acres in the case of:~~

- ~~(i) an educational institution;~~
- ~~(ii) a tract that was exempt under this subsection on March 1, 1987; or~~

~~(B) two hundred (200) acres in the case of a local association formed for the purpose of promoting 4-H programs; or~~

~~(C) fifteen (15) acres in all other cases.~~

(d) A tract of land is exempt from property taxation if:

- (1) it is purchased for the purpose of erecting a building ~~which that~~ is to be owned, occupied, and used in such a manner that the

C
o
p
y



building will be exempt under subsection (a) or (b); **and**

~~(2) the tract does not exceed:~~

~~(A) one hundred fifty (150) acres in the case of:~~

~~(i) an educational institution; or~~

~~(ii) a tract that was exempt under this subsection on March 1, 1987;~~

~~(B) two hundred (200) acres in the case of a local association formed for the purpose of promoting 4-H programs; or~~

~~(C) fifteen (15) acres in all other cases; and~~

~~(3)~~ **(2)** not more than three (3) years after the property is purchased, and for each year after the three (3) year period, the owner demonstrates substantial progress **and active pursuit** towards the erection of the intended building and use of the tract for the exempt purpose. To establish that substantial progress is being made, the owner must prove the existence of factors such as the following:

(A) Organization of and activity by a building committee or other oversight group.

(B) Completion and filing of building plans with the appropriate local government authority.

(C) Cash reserves dedicated to the project of a sufficient amount to lead a reasonable individual to believe the actual construction can and will begin within three (3) years.

(D) The breaking of ground and the beginning of actual construction.

(E) Any other factor that would lead a reasonable individual to believe that construction of the building is an active plan and that the building is capable of being completed within six (6) years considering the circumstances of the owner.

(e) Personal property is exempt from property taxation if it is owned and used in such a manner that it would be exempt under subsection (a) or (b) if it were a building.

(f) A hospital's property ~~which~~ **that** is exempt from property taxation under subsection (a), (b), or (e) shall remain exempt from property taxation even if the property is used in part to furnish goods or services to another hospital whose property qualifies for exemption under this section.

(g) Property owned by a shared hospital services organization ~~which~~ **that** is exempt from federal income taxation under Section 501(c)(3) or 501(e) of the Internal Revenue Code is exempt from property taxation if it is owned, occupied, and used exclusively to furnish goods or services to a hospital whose property is exempt from property

C
o
p
y



taxation under subsection (a), (b), or (e).

(h) This section does not exempt from property tax an office or a practice of a physician or group of physicians that is owned by a hospital licensed under IC 16-21-1 or other property that is not substantially related to or supportive of the inpatient facility of the hospital unless the office, practice, or other property:

- (1) provides or supports the provision of charity care (as defined in IC 16-18-2-52.5), including providing funds or other financial support for health care services for individuals who are indigent (as defined in IC 16-18-2-52.5(b) and IC 16-18-2-52.5(c)); or
- (2) provides or supports the provision of community benefits (as defined in IC 16-21-9-1), including research, education, or government sponsored indigent health care (as defined in IC 16-21-9-2).

However, participation in the Medicaid or Medicare program alone does not entitle an office, practice, or other property described in this subsection to an exemption under this section.

(i) A tract of land or a tract of land plus all or part of a structure on the land is exempt from property taxation if:

(1) the tract is acquired for the purpose of erecting, renovating, or improving a single family residential structure that is to be given away or sold:

- (A) in a charitable manner;
- (B) by a nonprofit organization; and
- (C) to low income individuals who will:
 - (i) use the land as a family residence; and
 - (ii) not have an exemption for the land under this section;

~~(2) the tract does not exceed three (3) acres;~~

~~(3) (2)~~ the tract of land or the tract of land plus all or part of a structure on the land is not used for profit while exempt under this section; and

~~(4) (3)~~ not more than three (3) years after the property is acquired for the purpose described in subdivision (1), and for each year after the three (3) year period, the owner demonstrates substantial progress **and active pursuit** towards the erection, renovation, or improvement of the intended structure. To establish that substantial progress is being made, the owner must prove the existence of factors such as the following:

- (A) Organization of and activity by a building committee or other oversight group.
- (B) Completion and filing of building plans with the appropriate local government authority.



C
O
P
Y

(C) Cash reserves dedicated to the project of a sufficient amount to lead a reasonable individual to believe the actual construction can and will begin within six (6) years of the initial exemption received under this subsection.

(D) The breaking of ground and the beginning of actual construction.

(E) Any other factor that would lead a reasonable individual to believe that construction of the structure is an active plan and that the structure is capable of being:

(i) completed; and

(ii) transferred to a low income individual who does not receive an exemption under this section;

within six (6) years considering the circumstances of the owner.

(j) An exemption under subsection (i) terminates when the property is conveyed by the nonprofit organization to another owner. When the property is conveyed to another owner, the nonprofit organization receiving the exemption must file a certified statement with the auditor of the county, notifying the auditor of the change not later than sixty (60) days after the date of the conveyance. The county auditor shall immediately forward a copy of the certified statement to the county assessor. A nonprofit organization that fails to file the statement required by this subsection is liable for the amount of property taxes due on the property conveyed if it were not for the exemption allowed under this chapter.

(k) If property is granted an exemption in any year under subsection (i) and the owner:

(1) ceases to be eligible for the exemption under subsection (i)(4);

(2) fails to transfer the tangible property within six (6) years after the assessment date for which the exemption is initially granted; or

(3) transfers the tangible property to a person who:

(A) is not a low income individual; or

(B) does not use the transferred property as a residence for at least one (1) year after the property is transferred;

the person receiving the exemption shall notify the county recorder and the county auditor of the county in which the property is located not later than sixty (60) days after the event described in subdivision (1), (2), or (3) occurs. The county auditor shall immediately inform the county assessor of a notification received under this subsection.

(l) If subsection (k)(1), (k)(2), or (k)(3) applies, the owner shall pay, not later than the date that the next installment of property taxes is due,

C
o
p
y



an amount equal to the sum of the following:

- (1) The total property taxes that, if it were not for the exemption under subsection (i), would have been levied on the property in each year in which an exemption was allowed.
- (2) Interest on the property taxes at the rate of ten percent (10%) per year.

(m) The liability imposed by subsection (l) is a lien upon the property receiving the exemption under subsection (i). An amount collected under subsection (l) shall be collected as an excess levy. If the amount is not paid, it shall be collected in the same manner that delinquent taxes on real property are collected.

(n) Property referred to in this section shall be assessed to the extent required under IC 6-1.1-11-9.

(o) An exemption under this chapter terminates when the property is conveyed by the nonprofit organization to another owner. If the sale price of the property exceeds the original price paid for the property, the nonprofit organization is liable for the amount of property taxes due on the property conveyed if it were not for the exemption allowed under this chapter. Property taxes collected shall not exceed the amount due for the three (3) consecutive years immediately prior to the date of sale.

(p) Except as provided in subsection (d), a tract of land or any portion of a tract of land is not exempt from taxation if it is owned by a person primarily for educational, literary, scientific, religious, or charitable purposes and is not actively used for educational, literary, scientific, religious, or charitable purposes. For the purposes of assessment, a tract of land may be divided into portions that are either exempt or not exempt from property taxation.

(q) A person who wishes to have a building or tract of land classified as exempt from property taxation under this section must have had the building or tract of land assessed by the township assessor of the county in which the land is located.

SECTION 3. IC 6-1.1-10-21, AS AMENDED BY P.L.198-2001, SECTION 30, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE March 1, 2002 (RETROACTIVE)]: Sec. 21. (a) The following tangible property is exempt from property taxation if it is owned by, or held in trust for the use of, a church or religious society:

- (1) A building ~~which that~~ is used for religious worship.
- (2) Buildings ~~that are used as parsonages~~.
- ~~(3)~~ (2) The pews and furniture contained within a building ~~which that~~ is used for religious worship.



C
o
p
y

(4) The tract of ~~land, not exceeding fifteen (15) acres,~~ **land** upon which a building described in this ~~section~~ **that is used for religious worship** is situated.

(b) A building that is used as a parsonage is exempt from property taxation if it is owned by, or held in trust for the use of, a church or religious society.

~~(b)~~ (c) To obtain an exemption for parsonages, a church or religious society must provide the county auditor with an affidavit at the time the church or religious society applies for the exemptions. The affidavit must state that:

(1) all parsonages are being used to house one (1) of the church's or religious society's rabbis, priests, preachers, ministers, or pastors; and

(2) none of the parsonages are being used to make a profit.

The affidavit shall be signed under oath by the church's or religious society's head rabbi, priest, preacher, minister, or pastor. The county auditor shall immediately forward a copy of the affidavit to the county assessor.

~~(c)~~ (d) Property referred to in this section shall be assessed to the extent required under IC 6-1.1-11-9.

SECTION 4. IC 6-1.1-11-8, AS AMENDED BY P.L.90-2002, SECTION 105, IS AMENDED TO READ AS FOLLOWS: Sec. 8. (a) On or before August 1 of each year, the county auditor of each county shall forward to the department of local government finance the duplicate copies of all approved exemption applications.

(b) The department of local government finance shall review the approved applications **forwarded under subsection (a)**. The department of local government finance may deny an exemption if the department determines that the property is not tax exempt under the laws of this state. However, before denying an exemption, the department of local government finance must give notice to the applicant, and the department must hold a hearing on the exemption application.

(c) **With respect to the approved applications forwarded under subsection (a), the department shall, on or before August 1 of each year, report to the executive director of the legislative services agency:**

(1) the number forwarded;

(2) the number subjected to field investigation by the department; and

(3) the number denied by the department;

during the year ending on July 1 of the year.



C
O
P
Y

(d) The department of local government finance may investigate any approved application forwarded under subsection (a). The investigation may include inspection of:

- (1) the exempt property; and**
- (2) relevant books and records of the person claiming the exemption.**

Refusal of a person claiming an exemption to permit inspection of the property or relevant books and records constitutes grounds for denying the exemption.

(e) The department shall adopt rules under IC 4-22-2 with respect to exempt real property to:

- (1) provide just valuations; and**
- (2) ensure that assessments are:**
 - (A) made; and**
 - (B) recorded;**

in accordance with law.

SECTION 5. IC 6-1.1-21-4, AS AMENDED BY P.L.192-2002(ss), SECTION 41, IS AMENDED TO READ AS FOLLOWS: Sec. 4. *Effective 1-1-2003.* (a) Each year the department shall allocate from the property tax replacement fund an amount equal to the sum of:

- (1) each county's total eligible property tax replacement amount for that year; plus
- (2) the total amount of homestead tax credits that are provided under IC 6-1.1-20.9 and allowed by each county for that year; plus
- (3) an amount for each county that has one (1) or more taxing districts that contain all or part of an economic development district that meets the requirements of section 5.5 of this chapter. This amount is the sum of the amounts determined under the following STEPS for all taxing districts in the county that contain all or part of an economic development district:

STEP ONE: Determine that part of the sum of the amounts under section 2(g)(1)(A) and 2(g)(2) of this chapter that is attributable to the taxing district.

STEP TWO: Divide:

- (A) that part of the subdivision (1) amount that is attributable to the taxing district; by
- (B) the STEP ONE sum.

STEP THREE: Multiply:

- (A) the STEP TWO quotient; times
- (B) the taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

C
O
P
Y



(b) Except as provided in subsection (e), between March 1 and August 31 of each year, the department shall distribute to each county treasurer from the property tax replacement fund one-half (1/2) of the estimated distribution for that year for the county. Between September 1 and December 15 of that year, the department shall distribute to each county treasurer from the property tax replacement fund the remaining one-half (1/2) of each estimated distribution for that year. The amount of the distribution for each of these periods shall be according to a schedule determined by the property tax replacement fund board under section 10 of this chapter. The estimated distribution for each county may be adjusted from time to time by the department to reflect any changes in the total county tax levy upon which the estimated distribution is based.

(c) On or before December 31 of each year or as soon thereafter as possible, the department shall make a final determination of the amount which should be distributed from the property tax replacement fund to each county for that calendar year. This determination shall be known as the final determination of distribution. The department shall distribute to the county treasurer or receive back from the county treasurer any deficit or excess, as the case may be, between the sum of the distributions made for that calendar year based on the estimated distribution and the final determination of distribution. The final determination of distribution shall be based on the auditor's abstract filed with the auditor of state, adjusted for postabstract adjustments included in the December settlement sheet for the year, and such additional information as the department may require.

(d) All distributions provided for in this section shall be made on warrants issued by the auditor of state drawn on the treasurer of state. If the amounts allocated by the department from the property tax replacement fund exceed in the aggregate the balance of money in the fund, then the amount of the deficiency shall be transferred from the state general fund to the property tax replacement fund, and the auditor of state shall issue a warrant to the treasurer of state ordering the payment of that amount. However, any amount transferred under this section from the general fund to the property tax replacement fund shall, as soon as funds are available in the property tax replacement fund, be retransferred from the property tax replacement fund to the state general fund, and the auditor of state shall issue a warrant to the treasurer of state ordering the replacement of that amount.

(e) Except as provided in subsection (i), the department shall not distribute under subsection (b) and section 10 of this chapter the money attributable to the county's property reassessment fund if, by the date

C
O
P
Y



the distribution is scheduled to be made, the county auditor has not:

(1) sent a certified statement required to be sent by that date under IC 6-1.1-17-1; or

(2) **forwarded the duplicate copies of all approved exemption applications required to be forwarded by that date under IC 6-1.1-11-8(a);**

to the department of local government finance.

(f) Except as provided in subsection (i), if the elected township assessors in the county, the elected township assessors and the county assessor, or the county assessor has not transmitted to the department of local government finance by October 1 of the year in which the distribution is scheduled to be made the data for all townships in the county required to be transmitted under IC 6-1.1-4-25(b), the state board or the department shall not distribute under subsection (b) and section 10 of this chapter a part of the money attributable to the county's property reassessment fund. The portion not distributed is the amount that bears the same proportion to the total potential distribution as the number of townships in the county for which data was not transmitted by August 1 as described in this section bears to the total number of townships in the county.

(g) Money not distributed ~~under~~ **for the reason stated in** subsection ~~(e)~~ **(e)(1)** shall be distributed to the county when the county auditor sends to the department of local government finance the certified statement required to be sent under IC 6-1.1-17-1 with respect to which the failure to send resulted in the withholding of the distribution under subsection (e). **Money not distributed for the reason stated in subsection (e)(2) shall be distributed to the county when the county auditor forwards to the department of local government finance the approved exemption applications required to be sent under IC 6-1.1-11-8(a) with respect to which the failure to forward resulted in the withholding of the distribution under subsection (e). Money not distributed for the reasons stated in subsection (e)(1) and (e)(2) shall be distributed to the county when the county auditor:**

(1) sends to the department of local government finance the certified statement required to be sent under IC 6-1.1-17-1; and

(2) forwards to the department of local government finance the certified statement required to be sent under IC 6-1.1-11-8(a);

with respect to which the failure to forward resulted in the withholding of the distribution under subsection (e).



C
o
p
y

(h) Money not distributed under subsection (f) shall be distributed to the county when the elected township assessors in the county, the elected township assessors and the county assessor, or the county assessor transmits to the department of local government finance the data required to be transmitted under IC 6-1.1-4-25(b) with respect to which the failure to transmit resulted in the withholding of the distribution under subsection (f).

(i) The restrictions on distributions under subsections (e) and (f) do not apply if the department of local government finance determines that:

- (1) the failure of a county auditor to send
 - (A) a certified statement; or
 - (B) **copies of all approved exemption applications;**
 as described in subsection (e); or
- (2) the failure of an official to transmit data as described in subsection (f);

is justified by unusual circumstances."

Page 2, delete lines 37 through 42.

Page 3, delete lines 1 through 26.

Page 3, before line 27, begin a new paragraph and insert the following:

"SECTION 6. IC 14-33-7-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE March 1, 2002 (RETROACTIVE)]: Sec. 4.

(a) This section applies to the following tangible property owned by or held in trust for the use of a church or religious society:

- (1) A building that is used for religious worship.
- (2) A building that is used as a parsonage.
- (3) The pews and furniture contained within a building that is used for religious worship.
- (4) ~~The land, not exceeding fifteen (15) acres, land~~ upon which a building ~~described in this section~~ **used as a parsonage** is situated.

(5) The land upon which a building used for religious worship is situated.

(b) Property is exempt from the special benefits tax that may be imposed under:

- (1) IC 14-33-6-13 and section 1 of this chapter; or
- (2) IC 14-33-21-5;

to the extent that the special benefits tax revenue will be used for the construction or improvement of a water impoundment project, including a lake, pond, or dam.

(c) To obtain an exemption for a parsonage, a church or religious

C
o
p
y



society must provide the county auditor with an affidavit at the time the church or religious society applies for the exemption. The affidavit must:

(1) state:

(A) that all parsonages are being used to house one (1) of the church's or religious society's rabbis, priests, preachers, ministers, or pastors; and

(B) that none of the parsonages are being used to make a profit; and

(2) be signed under oath or affirmation by the church's or religious society's head rabbi, priest, preacher, minister, pastor, or designee of the official church body.

SECTION 7. [EFFECTIVE UPON PASSAGE] (a) A church or religious institution may file a claim with the county auditor for a refund for the payment of property taxes first due and payable in 2001 if:

(1) the church or religious institution challenged in an administrative action before the state board of tax commissioners (before it was abolished) the denial of exemption of land for that year by the county property tax assessment board of appeals; and

(2) the church or religious institution paid property taxes for that year on land not exceeding fifteen (15) acres for which exemption was denied as described in subdivision (1).

The claim must be filed as set forth in IC 6-1.1-26-1, except that the claim must be based upon a determination of the exemption of the property of the church or religious institution as if IC 6-1.1-10-16, as amended by this act, had been in effect for property taxes first due and payable in 2001.

(b) Upon receiving a claim filed under this SECTION, the county auditor shall determine whether the claim is correct. If the county auditor determines that the claim is correct, the auditor shall, without an appropriation being required, issue a warrant to the claimant payable from the county general fund for the amount due the claimant under this SECTION.

(c) The amount of the refund shall equal the amount of the claim so allowed. Interest of four percent (4%) per year is payable on the refund.

(d) This SECTION expires January 1, 2004.

SECTION 8. [EFFECTIVE UPON PASSAGE] (a) IC 6-1.1-10-16



C
O
P
Y

(subject to SECTION 6 of this act), IC 6-1.1-10-21, and IC 14-33-7-4, all as amended by this act, apply only to property taxes first due and payable after December 31, 2002.

(b) This SECTION expires January 1, 2004.

SECTION 9. An emergency is declared for this act."

Page 3, delete lines 27 through 31.

Renumber all SECTIONS consecutively.

(Reference is to HB 2005 as printed February 17, 2003.)

SCHOLER

HOUSE MOTION

Mr. Speaker: I move that House Bill 2005 be amended to read as follows:

Page 2, between lines 36 and 37, begin a new paragraph and insert:

"SECTION 3. IC 6-1.1-11-3.8 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 3.8. (a) This section applies to real property that after December 31, 2003, is:**

(1) exempt from property taxes:

(A) under an application filed under this chapter; or

(B) under:

(i) IC 6-1.1-10-2; or

(ii) IC 6-1.1-10-4; and

(2) leased to an entity other than a nonprofit corporation.

(b) After December 31, 2003, each lessor of real property shall notify the county assessor of the county in which the real property is located in writing of:

(1) the existence of the lease referred to in subsection (a)(2);

(2) the term of that lease; and

(3) the name and address of the lessee.

(c) Each county assessor shall annually notify the department of local government finance in writing of the information received by the county assessor under subsection (b).

(d) The department of local government finance shall adopt rules to:

(1) establish when the notices under subsections (b) and (c) must be given; and

(2) otherwise implement this section."

Page 3, after line 31, begin a new paragraph and insert:

HB 2005—LS 7815/DI 52+



C
o
p
y

"SECTION 6. **An emergency is declared for this act.**".

Renumber all SECTIONS consecutively.

(Reference is to HB 2005 as printed February 17, 2003.)

FRENZ

C
o
p
y

